

2005 DRAFTING REQUEST

Bill

Received: **12/20/2004**

Received By: **btradewe**

Wanted: **As time permits**

Identical to LRB:

For: **Administration-Budget**

By/Representing: **Walker**

This file may be shown to any legislator: **NO**

Drafter: **btradewe**

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Addl. Drafters:

Subject: **Environment - water quality**

Extra Copies:

Submit via email: **YES**

Requester's email:

Carbon copy (CC:) to:

Pre Topic:

DOA:.....Walker, BB0330 -

Topic:

Variable rate obligations for environmental improvement program

Instructions:

See Attached

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
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FE Sent For:

<END>

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1?	btradewe	11 Wg 12/21					

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<END>

2003-05 Budget Bill Statutory Language Drafting Request

- Topic: Variable rate obligations
- Tracking Code: BB0330
- SBO team: Environmental and Commercial Resources
- SBO analyst: William D. Walker *WDL* 12/17
 - Phone: 266-7973
 - Email: william.walker@doa.state.wi.us
- Agency acronym: Environmental Improvement Program (EIP)
- Agency number: 320

Revise the definition of "market rate" given in s. 281.59 (1) (b) to allow the program to issue variable rate revenue obligations; and set the "market interest rate" for loans at the equivalent effective interest rate as determined by the Department of Administration.

Here is a description and suggested language from EIP (Michael Wolff):

The Environmental Improvement Fund statutes establish a methodology for setting interest rates for municipal borrowers under the loan programs. That methodology requires that we make certain loans at rates from 33% to 70% of the defined "Market Rate." Presently, the program has issued only fixed-rate obligations which carried a long-term effective rate of interest, and that rate is used as the multiplicand when calculating loan rates. The amendment proposed below is intended as a technical fix to current law to allow the Clean Water Fund to issue variable-rate obligations (i.e., weekly or monthly notes, commercial paper, etc.) without necessitating lending at corresponding variable rates or percentages of variable rates.

The variable-rate obligations contemplated would function as "funding obligations" and would provide funding for loans prior to and until fixed-rate obligations would be issued. It is expected that current levels of negative arbitrage may be reduced with these changes.

Amend Section 281.59 (1) Definitions (b)

(b) "Market interest rate" means the effective interest rate on a fixed-rate revenue obligation issued by the state to fund loans made under this section. In the case of variable rate obligations, the market interest rate shall be the equivalent effective interest rate, as determined by the department of administration, that would have been paid if the variable rate obligation had been sold at a fixed-rate.



State of Wisconsin
2005 - 2006 LEGISLATURE

LRB-1330/1

RCT.../...

WJ

in 12/21

DOA:.....Walker, BB0330 - Variable rate obligations for environmental improvement program ✓

FOR 2005-07 BUDGET -- NOT READY FOR INTRODUCTION ✓

Do Not GEN

1 AN ACT ...; relating to: the budget. ✓

Analysis by the Legislative Reference Bureau

ENVIRONMENT ✓

WATER QUALITY ✓

for Under the Clean Water Fund Program, this state provides loans for projects for controlling water pollution and, under the Safe Drinking Water Loan Program, this state provides loans for projects for the construction or modification of public water systems. The interest rate on loans under the programs is set at a percentage of the market interest rate. This bill provides that if the state issues variable rate revenue obligations for the programs, the market interest rate is the interest rate that would have been paid if the state had issued fixed rate obligations, as determined by DOA.

* For further information see the *local* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

2 SECTION 1. 281.58 (1) (cg) ✓ of the statutes is amended to read:

3 281.58 (1) (cg) "Market interest rate" ~~means the interest at the effective rate~~

4 ~~of a revenue obligation issued by the state to fund a project loan or a portion of a~~

1 ~~project loan under the clean water fund program~~ has the meaning given in s. 281.59

2 (1) (b).

History: 1987 a. 399; 1989 a. 31, 336, 366; 1991 a. 32, 39, 189; 1993 a. 16; 1995 a. 27; 1995 a. 227 s. 425; Stats. 1995 s. 281.58; 1997 a. 27, 237; 1999 a. 9; 1999 a. 150 s. 672; 2001 a. 16, 104.

3 **SECTION 2.** 281.59 (1) (b) of the statutes is amended to read:

4 281.59 (1) (b) "Market interest rate" means the ~~interest at the~~ effective interest
5 rate of a on a fixed-rate revenue obligation issued by the state to fund a loan ~~or a~~
6 ~~portion of a loan for a project under the clean water fund program~~ made under this
7 section [✓] or, for a variable [✓] rate obligation, the effective interest rate that the
8 department of administration determines would have been paid if the variable rate
9 obligation had been sold at a fixed rate.

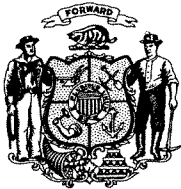
History: 1989 a. 366 ss. 40, 63, 65, 66, 97, 99, 106, 108 to 110, 115; 1991 a. 32, 39, 189, 315; 1993 a. 16; 1995 a. 27; 1995 a. 227 s. 426; Stats. 1995 s. 281.59; 1995 a. 452; 1997 a. 27, 237; 1999 a. 9; 1999 a. 150 s. 374, 672; 2001 a. 16; 2003 a. 13.

10 **SECTION 3.** 281.61 (1) (b) of the statutes is amended to read:

11 281.61 (1) (b) "Market interest rate" ~~means the interest at the effective rate of~~
12 ~~a revenue obligation issued by this state to fund a loan or portion of a loan for a clean~~
13 ~~water fund program project under s. 281.58~~ has the meaning given in s. 281.59 (1)
14 (b).

History: 1997 a. 27; 1999 a. 9; 2001 a. 16.

15 (END)



State of Wisconsin
2005 - 2006 LEGISLATURE

LRB-1330/1

RCT:wlj:rs

DOA:.....Walker, BB0330 - Variable rate obligations for environmental improvement program

FOR 2005-07 BUDGET -- NOT READY FOR INTRODUCTION

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14 (b).

15 (END)